

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

**RESOLUTION NO. W-4593
April 13, 2006**

R E S O L U T I O N

**(RES. W-4593), PENNGROVE WATER COMPANY (Penngrove).
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$36,812 OR
6.42% IN 2006.**

SUMMARY

By Draft Advice Letter, filed on March 14, 2005, Penngrove seeks an increase in its rates for water service to fund needed improvements to the existing water system and provide the owner of the utility a return on equity commensurate with financial risk taken. For Test Year 2005, this resolution grants an increase in gross annual revenues of \$36,812 or 6.42%, which is estimated to provide a return on rate base of 12.9%.

BACKGROUND

Penngrove has requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its water rates \$37,409 or 6.52%, in Test Year 2005. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Penngrove's request shows gross revenues of \$573,516 at present rates that would increase to \$610,925 at proposed rates. Penngrove is requesting a return-on-rate-base of 12.65%.

The present rates were established on December 16, 2004 by Res. No. W-4514, which authorized an offset for a full-time operator's wages. The last general rate increase was granted on November 16, 1995, by Res. No. W-3953, which authorized a gross revenue increase of \$25,447 or 12.9% additional annual revenue.

Penngrove is owned by Mr. and Mrs. James Downey through their company Altos Sonoma Corp. As of the end of 2004, Penngrove serves approximately 554 metered service connections in two geographically separated communities - Penngrove (483

customers) and Canon Manor (CM) (71 customers). These two communities are approximately one mile apart, located in Sonoma County. Altos Sonoma Corp. has one other district – Kenwood Water Company (Kenwood), which serves 296 connections. Penngrove's system is supplied primarily through purchased water from the Sonoma County Water Agency via two pipes connected to the Penngrove system. The CM source of water supply is one well, which is pumped using 5 and 15 horse power (h.p.) submersible pumps to a 212,000 gallon bolted steel tank. The water from the tank is then boosted to the distribution system in CM via 5 and 15 h.p. booster pumps. The present distribution systems in Penngrove and CM consist of approximately 81,000 feet of pipeline ranging in size from 2 to 10 inches in diameter.

NOTICE AND PUBLIC MEETING

A notice of the proposed general rate increase was mailed to each customer on July 11, 2005. The Branch received two letters of complaint regarding the proposed rate increase. The complaints dealt with the number of rate increases in recent years and the amount of the increases. Penngrove responded to both complaints in a timely manner. During the past four years, the Commission received two complaints or inquiries regarding the Penngrove system. The complaints dealt with a disputed bill and a disconnection issue.

An informal public meeting was held Thursday, August 11, 2005, at the Penngrove Fire Station. The meeting started at 7:00 PM, and adjourned at 8:00 PM, with two customers in attendance. The Division representative explained Commission procedures, as well as the purpose of the meeting. Penngrove's representative made a presentation explaining the need for the rate increase. The rest of the meeting consisted of comments and questions by the customers.

The customers asked questions regarding the number of rate increases in the past (surcharges authorized by CPUC for increased purchase water expenses), the rate structure (use of tiered rates, which has been requested by the purchase water provider, Sonoma County, in order to encourage conservation), the higher rates that Penngrove customers pay than residents in other cities (private versus public providers), and concerns regarding water theft. In general, the customers are satisfied with the performance of Penngrove.

DISCUSSION

The Water Division (Division) made an independent analysis of Penngrove's summary of earnings and issued its report in January 2006. Appendix A shows Penngrove's and the Division's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences in Penngrove's and the Division's estimates in operating revenues, expenses, and rate base. Penngrove was informed of the Division's differing views of revenues, expenses, and rate base, and agrees with the Division's findings.

The major differences in expenses were in the (1) Purchased Water, (2) Employee Benefits, and (3) Insurance accounts. The Division estimates were made using actual billings and past-recorded expenses. The Division audited actual bills for expenses to make its estimates, and relied on past recorded amounts and current tariffs for power. Branch also uses different inflation rates than Penngrove. Based on the Office of Ratepayer Advocates memorandum of June 30, 2005 (File No. S-2559), Branch uses a non-labor inflation rate of 4.8% and a labor inflation rate of 2.7%.

For the Purchased Water account, the Division applied a correction to a 2003 annual report figure used in the calculation, used a different rate to convert from Ccf to AF, and, used an updated change to the purchased water rate. For the Employee Benefits category, the Division accepted more recent information to make its determination. For the Insurance category, the Division obtained revised figures in order to incorporate more recent information.

Penngrove's draft advice letter requested rates that would produce a return-on-rate-base of 12.65%. The Water Division's Audit & Compliance Branch has conducted an analysis of the financial market changes with the last year and the high operational risk faced by Class C water companies and has determined that when this case was processed, the appropriate range for return on rate base was 11.9 to 12.9%¹. Using the rate of return of 12.9%, Division calculates a revenue requirement of \$610,328.

In Decision 92-03-093, the Commission ordered that both the rate of return on rate base and the rate of margin would be determined and the higher of the two used in the determination of rates for Class C and D water utilities. Branch performed this comparison and found that the rate of return on rate base provides the higher result of

¹ As of February 27, 2006, the range for return on rate base for Class C water utilities is 12.0 to 13.0%.

the two methods; therefore Branch recommends that method for the determination of cost of capital (Appendix E).

The summary of earnings in Appendix A shows a recommended return-on-rate-base of 12.9% at adopted rates. Branch recommended that the higher rate of return figure be used because Pennngrove has had very few complaints over the last several years, is managed well, and is at the low end of the number of customers to qualify as a Class C water utility.

Decision 92-03-093 allows Class C utilities to recover up to 65% of fixed costs in their readiness to serve charge. The rates shown in Appendix B recover 47% of the utility's fixed cost. In discussions with the Pennngrove, it was determined that given the rate design authorized in its last general rate case, there would be an effort to reach the 65% ratio, but that it would not be achievable in the current case. Pennngrove was clear that it did not want to burden its ratepayers with a much higher service charge and it also wanted to encourage conservation, per the recently issued Water Action Plan.

Pennngrove currently provides two rate schedules – Schedule No. P-1, Metered Service (Pennngrove District) and Schedule No. CM-1, Metered Service, (Canon Manor District). The new rate schedules can be found in Appendix B.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a 5/8 x 3/4-inch metered customer in the Pennngrove District using 10.0 Ccf (one Ccf equals 100 cubic feet) will increase from \$60.00 to \$65.14 or 8.57%. The monthly bill for a 3/4-inch metered customer using 10.0 Ccf will increase from \$74.24 to \$79.38 or 6.93%. For Canon Manor District, the monthly bill for a 5/8 x 3/4-inch metered customer using 10.0 Ccf (one Ccf equals 100 cubic feet) will increase from \$53.36 to \$60.60 or 13.57%. The monthly bill for a 3/4-inch metered customer using 10.0 Ccf will increase from \$64.26 to \$71.50 or 11.27%. Bill comparisons are shown in Appendix C.

The Division staff audited operating expenses, including salaries and contracting fees, purchased power, insurance expenses, transportation expenses, office services and rentals, office supplies and expenses, general expenses, depreciation, and property taxes. Staff verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included those expenses that were deemed reasonable and prudent.

Pennngrove requested facilities fees for new service connections in order to fund construction that will take place over the next 10 years. Branch recommends the implementation of Schedule F, Facilities Fees, and to fund new plant and replacement of existing plant. The rates vary from \$3,000 for a new connection of a 5/8 x 3/4-inch meter to \$75,000 for a new connection of a 4 inch meter. Branch recommends funds

collected should be placed in interest-bearing accounts and be used only to build or replace plant. As funds are used, the expenditures are required to be recorded as contributed plant. The new rate schedules can be found in Appendix B.

Pennngrove requested the institution of a Private Fire Protection Tariff of \$6.00 per month per inch of line. This request is similar to that tariff authorized for its affiliated company, Kenwood, in Res. No. W-4443. The service includes the availability of water 24/7 to those customers that have installed their own extra un-metered line from the Pennngrove main (as well as other necessary equipment). Pennngrove used to get reimbursed for this service by the fire department, but this no longer occurs.

Pennngrove is requesting recovery of its purchased water balancing account in the current case. Branch has reviewed the supporting documentation and finds the total amount reasonable and finds that it meets the recovery test of being equal to or greater than 2% of total gross revenues. Branch does recommend a different rate, based on the current balance as of August 2005 divided by the test year estimated number of customers. Branch recommends that this surcharge rate be \$0.129 per month per 100 cubic feet for the next 12 months. This figure is shown on the new tariff Schedule No. P-1 in Appendix B.

Pennngrove is requesting recovery of DHS and Lab testing costs accumulated in memorandum accounts for both CM and Pennngrove. The amount is to recover water testing costs and Department of Health Services (DHS) Fees incurred from October 2000 through November 2004 over and above the amount allowed in the last general rate case. Water Division reviewed all invoices for the water testing costs and the DHS fees. Branch recommends that a surcharge be instituted in each district and that the surcharge be on a monthly basis at \$0.18 per month per customer for the next 12 months for the Pennngrove District and at \$1.77 per month per customer for the next 12 months for the Canon Manor District. These figures are shown on the tariff Schedules No. P-1 and CM-1 in Appendix B.

Staff has applied the Consumer Price Index for All Urban Consumers (CPI-U) to the rates as part of this general rate increase. Water Branch's letter dated January 18, 2006 titled "Rate Adjustments due to CPI-U Increase for 2005" indicates that the CPI-U adjustment is 3.4% for all Class C and D water utilities if their rate of return based on the increased revenues did not exceed the rate of return authorized in a utility's most recent rate case. The resultant rates are shown in tariff Schedules No. P-1 and CM-1 in Appendix B.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. According to the DHS, the utility currently meets all applicable water quality standards.

FINDINGS

1. The summary of earnings (Appendix A) developed by the Branch is reasonable and should be adopted.
2. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used in preparation of this report are reasonable and should be adopted.
4. The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.
5. The Facilities Fees, as revised by Branch, are reasonable to fund plant improvements and should be implemented.
6. Facilities fees collected should be placed in interest-bearing accounts and be used only to build or replace plant. As funds are used, the expenditures are required to be recorded as contributed plant.
7. The Private Fire Protection tariff is reasonable and should be implemented.
8. The recovery of the balance in the Penngrove District Purchased Water Balancing Account, as revised by Branch, is reasonable and should be implemented.
9. The recovery of the balance in the Penngrove and Canon Manor of the DHS/Lab Cost Memorandum Account, as revised by Branch, is reasonable and should be implemented.
10. The Consumer Price Index for All Urban Consumers is applied to the rates as shown in Appendix B.
11. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Penngrove Water to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedule No. P-1, Metered Service, (Penngrove District) and Schedule No. CM-1, Metered Service, (Canon Manor District). The effective date of the revised schedules shall be five days after the date of filing.
2. Penngrove Water Company is authorized to increase its annual revenues by \$36,812 or 6.42%, based on reasonable rates for 2005.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 13, 2006; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

GEOFFREY F. BROWN

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG
Commissioners

APPENDIX A							
PENNGROVE WATER COMPANY							
SUMMARY OF EARNINGS							
TEST YEAR 2005							
Item	Utility Estimated		Branch Estimated				
	Present	Requested	Present	Requested	Penngrove District Recommended Rates	Canon Manor District Recommended Rates	Total Company Recommended Rates
	Rates	Rates	Rates	Rates			
Operating Revenue							
Metered Rates	\$ 573,516	\$ 610,925	\$ 573,516	\$ 594,410	\$ 542,136	\$ 68,192	\$ 610,328
Total Revenue	\$ 573,516	\$ 610,925	\$ 573,516	\$ 594,410	\$ 542,136	\$ 68,192	\$ 610,328
Operating Expenses							
Power	5,958	5,958	5,995	5,995	-	5,995	\$ 5,995
Purchased Water	126,189	126,189	121,875	121,875	121,875	-	\$ 121,875
Other Volume Related	682	682	588	588	-	674	\$ 674
Employee Labor	31,072	31,072	27,104	27,104	27,104	3,968	\$ 31,072
Materials	9,559	9,559	8,322	8,322	8,322	1,218	\$ 9,541
Contract Work	22,596	22,596	19,278	19,278	19,278	2,822	\$ 22,101
Transportation Exp.	2,874	2,874	2,501	2,501	2,501	366	\$ 2,867
Other Plant Maintenance	563	563	490	490	490	72	\$ 561
Office Salaries	19,251	19,251	16,793	16,793	16,793	2,458	\$ 19,251
Management Salaries	67,438	67,438	58,826	58,826	58,826	8,612	\$ 67,438
Employee Benefits	38,949	38,949	39,924	39,924	39,924	5,845	\$ 45,769
Uncollectibles	679	679	647	647	647	95	\$ 741
Office Services & Rental	4,236	4,236	3,688	3,688	3,688	540	\$ 4,228
Office Suppl. & Exp.	7,886	7,886	6,866	6,866	6,866	1,005	\$ 7,871
Professional Services	5,379	5,379	4,590	4,590	4,590	672	\$ 5,262
Insurance	15,807	15,807	12,216	12,216	12,216	1,788	\$ 14,005
Regulatory Comm. Exp.	0	0	0	0	-	-	\$ -
General Expenses	10,369	10,369	8,542	8,542	8,542	1,251	\$ 9,793
Subtotal	\$369,487	\$369,487	\$338,245	\$338,245	\$331,662	\$37,380	\$369,042
Depreciation Expense	\$28,155	\$28,155	\$18,814	\$18,814	\$24,698	\$3,616	\$ 28,314
Property Tax	8,388	8,388	8,459	8,459	7,379	1,080	\$ 8,459
Payroll Tax	9,737	9,737	9,737	9,737	8,494	1,243	\$ 9,737
State Income Tax	13,900	17,252	13,900	15,792	14,567	2,133	\$ 16,700
Federal Income Tax	45,016	58,496	45,016	46,762	49,089	7,186	\$ 56,276
Total Deductions	\$474,683	\$491,515	\$434,170	\$437,808	\$435,889	\$52,638	\$488,528
Net Revenue	\$98,833	\$119,410	\$139,346	\$156,602	\$106,246	\$15,554	\$121,800
Rate Base							
Average Plant	\$1,988,968	\$1,988,968	\$1,989,245	\$1,989,245	\$ 1,735,218	\$ 254,027	\$ 1,989,245
Average Accumulated Depreciation	\$478,148	\$478,148	\$474,577	\$474,577	\$ 416,859	\$ 61,026	\$ 477,884
Net Plant	\$1,510,820	\$1,510,820	\$1,514,668	\$1,514,668	\$ 1,318,360	\$ 193,001	\$ 1,511,361
Plus: Working Cash	\$30,477	\$30,477	\$30,754	\$30,754	\$ 26,826	\$ 3,927	\$ 30,754
Materials & Supplies	\$7,804	\$7,804	\$7,804	\$7,804	\$ 6,807	\$ 997	\$ 7,804
Constr. Work in Progress	\$45,968	\$45,968	\$45,968	\$45,968	\$ 40,098	\$ 5,870	\$ 45,968
Less: CIAC	\$618,907	\$618,907	\$619,491	\$619,491	\$ 540,382	\$ 79,109	\$ 619,491
Advances for Construction	\$32,213	\$32,213	\$32,213	\$32,213	\$ 28,099	\$ 4,114	\$ 32,213
Rate Base	\$943,949	\$943,949	\$947,490	\$947,490	\$823,611	\$120,572	\$944,183
Rate of Return	10.47%	12.65%	14.71%	16.53%	12.9%	12.9%	12.9%

APPENDIX B

Schedule No. P-1

METERED SERVICE

PENNGROVE DISTRICT

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Y

Penngrove and vicinity, Sonoma County.

RATES

QUANTITY RATES:			Per Meter Per Month	
First 500 cu. ft. per 100 cu. ft.	.....	\$	3.423	(I)
Over 500 cu. ft. per 100 cu. ft.	.....	\$	4.746	(I)
Purchased Water Balancing Account				
Recovery Surcharge (per 100 cu. Ft.)	.....	\$	0.129	(N)
Service Charge:			Per Meter Per Month	
For	5/8 x 3/4 inch meter	.....	\$25.00	(I)
For	3/4 inch meter	.....	39.73	(I)
For	1-inch meter	.....	52.14	(I)
For	1 1/2 inch meter	.....	72.93	(I)
For	2-inch meter	.....	100.53	(I)
			Per Meter Per Month	
Memorandum Account Recovery Surcharge:			\$ 0.18	(N)

The Service Charge is a readiness-to-serve charge which is applicable to all metered services and to which is added the charge for water computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills subject to reimbursement as set forth in Schedule No. UF.
2. Due to an under-collection in the Purchased Water balancing account for Penngrove District, a surcharge of \$0.129 per 100 cu. ft. of water per month is to be applied to the quantity rates for the next 12 months starting from the effective date of the Commission's Resolution in this current case. (N)
3. As authorized by the CPUC, a memorandum account was instituted to record Department of Health Department Fees, lab costs, and NPDWR testing. Due to an under collection in this memorandum account, a surcharge of \$0.18 per month shall be charged for each of the next 12 months, starting from the effective date of the Commissions Resolution in the current case. (N)

APPENDIX B

Schedule No. CM-1

METERED SERVICE

CANON MANOR DISTRICT

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Y

Canon Manor and vicinity, Sonoma County.

RATES

Quantity Rate:		Per Meter Per Month	
First 500 cu. ft. per 100 cu. ft.	.....	\$ 1.892	(I)
Over 500 cu. ft. per 100 cu. ft.	.....	\$ 2.761	(I)
Service Charge:		Per Meter Per Month	
For 5/8 x 3/4 inch meter	.....	\$37.57	(I)
For 3/4 inch meter	.....	48.84	(I)
For 1-inch meter	.....	70.99	(I)
For 1 1/2 inch meter	.....	121.71	(I)
For 2-inch meter	.....	170.55	(I)
For 3 inch meter	.....	316.67	(I)
For 4 inch meter	.....	462.81	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered services and to which is added the charge for water computed at the Quantity Rate.

	Per Meter Per Month	
Memorandum Account Recovery Surcharge:	\$ 1.77	(N)

SPECIAL CONDITIONS

1. All bills subject to reimbursement as set forth in Schedule No. UF.
2. As authorized by the CPUC in W-3784, a memorandum account was instituted to record Department of Health Department Fees, lab costs, and NPDWR testing. Due to an under collection in this memorandum account, a surcharge of \$1.77 per month shall be charged for each of the next 12 months, starting from the effective date of the Commissions Resolution in the current case. (N)

APPENDIX B

Schedule No. F

FACILITIES FEES

PENNGROVE WATER COMPANY

APPLICABILITY

Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, not disconnected for more than ninety days, or for additional service connections to existing premises, and for increases in size of service connections to existing premises due to change in use. The utility may waive facilities fees for new connections not yet installed for which service has been committed by the Utility prior to the effective date of Schedule F.

TERRITORY

This schedule is applicable within the entire territory served by the Utility.

RATES

Initial Fee for each Service Connection:

For	5/8 x 3/4 inch meter	.....	\$	3,000
For	3/4-inch meter	.....	\$	4,500
For	1-inch meter	.....	\$	7,500
For	1-1/2 inch meter	.....	\$	15,000
For	2-inch meter	.....	\$	24,000
For	3-inch meter	.....	\$	45,000
For	4-inch meter	.....	\$	75,000

SPECIAL CONDITIONS:

1. Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. These fees **are not** subject to the Public Utility Commission Reimbursement Fee surcharge in Schedule UF.
3. Facilities fees authorized herein shall be deposited within ten days of receipt in a separate bank account paying interest.
4. Facilities fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such.
5. Facilities fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commission's prescribed Uniform System of Accounts. In addition the balance of facilities fees collected, including interest shall be reported in utility's annual report to the Commission. The plant constructed with facilities fees shall be removed from rate base.
6. The Utility shall annually report facilities fees collected, utilized and the remaining account balance, including interest. This report shall accompany the submission of the Utility's Annual Report.

APPENDIX B

SCHEDULE NO. 2

PRIVATE FIRE PROTECTION

PENNGROVE WATER COMPANY

APPLICABILITY

Applicable to all metered water service furnished privately owned fire protection service.

TERRITORY

Penngrove and vicinity, Sonoma County.

RATES

Per Service
Per Month

For each inch of diameter

\$6.00

SPECIAL CONDITIONS:

1. These fees are subject to the Public Utilities Commission Reimbursement Fee surcharge in Schedule UF.

APPENDIX C

PENNGROVE WATER COMPANY

Pennngrove District

COMPARISON OF RATES

TEST YEAR 2005

Service Charges:

		Per Service Connection Per Month		
		Present	Recommended	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
For	5/8 x 3/4 inch meter	\$24.18	\$24.18	0.00%
For	3/4-inch meter	\$38.42	\$38.42	0.00%
For	1-inch meter	\$50.43	\$50.43	0.00%
For	1-1/2 inch meter	\$70.53	\$70.53	0.00%
For	2-inch meter	\$97.22	\$97.22	0.00%

Quantity Charges:

All water delivered per 100 cu. ft.	\$3.582	N/A	
First 500 cu. ft. per 100 cu. ft.	\$3.582	\$3.310	-7.59%
Over 500 cu. ft. per 100 cu. ft.	\$3.582	\$4.590	28.14%
All water per 100 cu. Ft. surcharge	\$3.582	\$0.129	-96.41%
			Per Meter Per Month
Memorandum Account Recovery Surcharge:			\$ 0.18

Comparison of average monthly customer bill at present and authorized rates for:
 a 5/8 x 3/4-inch meter service using various quantities of water:

Usage <u>100 cu.ft.</u>	Present <u>Rates</u>	Recommended <u>Rates</u>	Amount <u>Increase</u>	Percent <u>Increase</u>
0	\$24.18	\$24.36	\$0.18	0.74%
5	\$42.09	\$41.55	-\$0.54	-1.28%
10	\$60.00	\$65.14	\$5.14	8.57%
15	\$77.91	\$88.74	\$10.83	13.90%
20	\$95.82	\$112.33	\$16.51	17.23%
30	\$131.64	\$159.52	\$27.88	21.18%

a 3/4-inch meter service using various quantities of water:

Usage <u>100 cu.ft.</u>	Present <u>Rates</u>	Recommended <u>Rates</u>	Amount <u>Increase</u>	Percent <u>Increase</u>
0	\$38.42	\$38.60	\$0.18	0.46%
5	\$56.33	\$55.79	-\$0.54	-0.96%
10	\$74.24	\$79.38	\$5.14	6.93%
15	\$92.15	\$102.98	\$10.83	11.75%
20	\$110.06	\$126.57	\$16.51	15.00%
30	\$145.88	\$173.76	\$27.88	19.11%

APPENDIX C

PENNGROVE WATER COMPANY
Canon Manor District

COMPARISON OF RATES
TEST YEAR 2005

Service Charges:

		Per Service Connection Per Month		
		Present	Recommended	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
For	5/8 x 3/4 inch meter	\$36.33	\$36.33	0.00%
For	3/4-inch meter	\$47.23	\$47.23	0.00%
For	1-inch meter	\$68.66	\$68.66	0.00%
For	1-1/2 inch meter	\$117.71	\$117.71	0.00%
For	2-inch meter	\$164.94	\$164.94	0.00%
For	3-inch meter	\$306.26	\$306.26	0.00%
For	4-inch meter	\$447.59	\$447.59	0.00%

Quantity Charges:

First 500 cu. ft. per 100 cu. ft.	\$1.703	\$1.830	7.46%
Over 500 cu. ft. per 100 cu. ft.	\$2.460	\$2.670	8.54%

Comparison of average monthly customer bill at present and authorized rates for:
a 5/8 x 3/4-inch meter service using various quantities of water:

Surcharge:

\$ 1.77

Surcharge of \$1.77 per month for 12 months to recover Dept. of Health fees,
NNPDWR fees, and Lab Costs as authorized in W-3784.

Usage 100 cu.ft.	Present <u>Rates</u>	Recommended <u>Rates</u>	Amount <u>Increase</u>	Percent <u>Increase</u>
0	\$36.33	\$38.10	\$1.77	4.87%
5	\$44.85	\$47.25	\$2.41	5.36%
10	\$53.36	\$60.60	\$7.24	13.57%
15	\$61.88	\$73.95	\$12.08	19.52%
20	\$70.39	\$87.30	\$16.91	24.02%
30	\$87.42	\$114.00	\$26.58	30.40%

a 3/4-inch meter service using various quantities of water:

Usage 100 cu.ft.	Present <u>Rates</u>	Recommended <u>Rates</u>	Amount <u>Increase</u>	Percent <u>Increase</u>
0	\$47.23	\$49.00	\$1.77	3.75%
5	\$55.75	\$58.15	\$2.41	4.31%
10	\$64.26	\$71.50	\$7.24	11.27%
15	\$72.78	\$84.85	\$12.08	16.59%
20	\$81.29	\$98.20	\$16.91	20.80%
30	\$98.32	\$124.90	\$26.58	27.03%

APPENDIX D - 1

PENNGROVE WATER COMPANY

**ADOPTED QUANTITIES
TEST YEAR 2005**

Expenses:

1. Purchased power (Electric)

Vendor	Pacific Gas & Electric Company
Schedule:	A-10--Medium General Demand-Metered Service
Effective Date	6/1/2005

	Total Rate per kWh
A-10: Winter Energy Charge	\$0.09858
Summer Energy Charge	\$0.13417
Winter Demand Charge	\$2.06
Summer Demand Charge	\$7.49
Annual Service Charge	\$908.00

2. Purchased water	Units purchased in Ccf
Sonoma County Water Agency	101,670
Effective Date	1/26/2001

3. Contract Work	
(DHS and EPA Lab Fees only)	\$3,654

4. Ad Valorem Taxes	\$8,459
Composite Tax Rate	1%

5. Number of Service Connections:

Metered Rate	
5/8 x 3/4-inch service	521
3/4-inch service	0
1-inch service	35
1/2-inch service	0
2-inch service	5
3-inch service	0
4-inch service	0
Total	556

6. Water Sales (Ccf) - Metered Customers:	\$ 574,771
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APPENDIX D - 2

**PENNGROVE WATER COMPANY
TEST YEAR 2005**

ADOPTED QUANTITIES

TEST YEAR 2005

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$610,328	\$610,328
2.	O & M Expenses	\$369,042	\$369,042
3.	Taxes Other Than Income	\$18,196	\$18,196
4.	Depreciation	\$28,314	\$28,314
5.	Taxable Income for State Tax	\$194,776	
6.	State Tax	\$16,700	
7.	Taxable Income for FIT		\$178,076
8.	Federal Income Tax		\$56,276
9.	Total Income Tax		\$72,975

California Corporate Franchise Rate	8.84%
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Federal Income Tax Rate

On first \$50,000 of taxable income	15%
On next \$25,000 of taxable income	25%
On next \$25,000 of taxable income	34%
On next \$235,000 of taxable income	39%

NOTE: Income Tax's do not exactly match taxable income figures due to allocation of tax rates with affiliated company (Kenwood).

APPENDIX E
PENNGROVE WATER COMPANY
RATE OF RETURN VERSUS RATE OF MARGIN
TEST YEAR 2005

Line No.	Description	Test Year Amount
1	Average rate base	944,183
2	Recommended Rate of Return	12.90%
3	Return on rate base (Line 1 x Line 2)	121,800
4	Operating Expenses	470,331
5	Recommended Rate of Margin	25%
6	Rate of Margin (Line 4 x Line 6)	117,583

1. In D.92-03-093, the Commission ordered that both the rate of return on rate base and the rate of margin would be determined and the higher of the two used in the determination of rate for Class C and D water utilities. Branch performed this comparison and found that the rate of return on rate base provided the hgiehr result of the two methods, therefore Branch recommends that method for the determination of the cost of capital.

2. Rate of Return and Rate of Margin used in this calculation are from the Water Divisions March 24, 2005 memorandum titled Rate of Return and Rate of Margin for Small Water Utilities.